

Message Text

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ACTION TRSE-00

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EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2195

AMEMBASSY PARIS

LIMITED OFFICIAL USE CAIRO 5266

E.O. 11652: N/A

TAGS: USEGJC EINV EG US FR

SUBJ: GOODYEAR AND MICHELIN TIRE PLANTS

REF: (A) STATE 088469, (B) CAIRO 5018 (C) PARIS 11138

1. DURING CODEL HASKELL'S MEETING WITH FAHMY, APRIL 17, LATTER INDICATED THAT DURING SADAT'S VISIT TO PARIS AN "AGREEMENT" HAD BEEN SIGNED WITH MICHELIN FOR TIRE PLANT. MICHELIN OFFER WAS BETTER THAN GOODYEAR AND FIRESTONE OFFERS. ASKED IF THIS ENTIRELY RULED OUR GOODYEAR, FAHMY REPLIED "ALMOST SO". SENATOR'S AIDE REMARKED MICHELIN HAS JUST BUILT TIRE FACTORY IN DENVER, CODEL'S HOME STATE. SENATOR OBSERVED MICHELIN IS A GOOD TIRE. THERE WAS NO CHANCE TO DISCUSS GOODYEAR PRIVATELY WITH FAHMY.

2. THIS MORNING AMB CALLED ON MINECONCOOP ZAKI SHAFEI ON A NUMBER OF SUBJECTS. AMONG OTHER THINGS, HE ASKED ABOUT REPORTED MICHELIN DEAL AND ITS EFFECT ON GOODYEAR. SHAFEI CONFIRMED THAT A "LETTER OF INTENT" HAD BEEN SIGNED WITH MICHELIN IN PARIS. MICHELIN OFFER HAD BEEN JUDGED BY AN EGYPTIAN COMVMITTEE OF EXPERTS TO BE BEST FOR EGYPT.

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IN CONTRAST, GOODYEAR OFFER HAD BEEN CRITIQUED BY

EGYPTIAN EXPERTS AS UNFAVORABLE. GOODYEAR, ACCORDING TO SHAFEI, HAD "OVERPLAYED ITS HAND" IT HAD REFUSED TO NEGOTIATE ON ANY POINTS.

3. AMB TOLD SHAFEI THAT, ACCORDING TO OUR INFORMATION, GOODYEAR OFFER IS FAR SUPERIOR TO THAT OF MICHELIN. SHAFEI RECALLED HE HAD ALREADY TOLD SECRETARY SIMON THAT GOODYEAR OFFER IS UNFAVORABLE. AMB REMINDED HIM THAT PRIMIN HAD STILL INDICATED A WILLINGNESS TO COME TO AN AGREEMENT WITH GOODYEAR. SHAFEI SAID DECISION ON MICHELIN HAS NOT BEEN MADE WITH SADAT'S APPROVAL. GOE SEES NO POINT TO FUTHER DISCUSSIONS WITH GOODYEAR.

4. HE THEN GAVE AMB A COPY OF EGYPTIAN EXPERTS CRITIQUE OF GOODYEAR PROPOSAL AND A COMPARATIVE STUDY OF THE GOODYEAR AND MICHELIN PROPOSALS MADE BY COMMITTEE OF EGYPTIAN EXPERTS. WE WOULD SEE FROM THESE DOCUMENTS THAT THE MICHELIN OFFER IS THE MORE FAVORABLE TO EGYPT. (SINCE BOTH DOCUMENTS ARE IN ARABIC, ENGLISH TRANSLATION WILL HAVE TO BE MADE. WE WILL SEND CONTENTS ASAP).

5. AMB EXPRESSED KEEN DISAPPOINTMENT AT GOE'S DECISION. RECALLING GOODYEAR HAS BEEN NEGOTIATING WITH GOE FOR ALMOST TWO YEARS IN GOOD FAITH, HE NOTED IMPORTANCE WE ATTACH TO SOME AMERICAN-EGYPTIAN JOINT VENTURES GETTING UNDER- WAY TO IMPROVE AMERICAN INVESTORS THAT "OPEN DOOR" POLICY IS SERIOUS. SHAFEI STATED GOE SHARES THIS WISH, BUT CANNOT BE EXPECTED TO ACCEPT A PROPOSAL THAT ITS EXPERTS CONSIDER TO BE DISADVANTAGEOUS. AMB SAID HE WOULD REPORT SHAFEI'S VIEWS, BUT EXPRESSED THE HOPE THAT GOE WILL KEEP AN OPEN MIND ON THE SUBJECT. WE RESERVE THE RIGHT TO RAISE SUBJECT AGAIN WITH HIM.
EILTS

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